

Tobin & Co.

Blue Lake Township

Kalkaska County, Michigan

Audit Report

For the Year Ended June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Blue Lake Township	County Kalkaska
Fiscal Year End June 30, 2006	Opinion Date October 31, 2006	Date Audit Report Submitted to State December 1, 2006	

We affirm that:

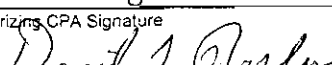
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Tobin & Co., P.C.		Telephone Number 231-947-0151	
Street Address 400 E. Eighth St.		City Traverse City	State Zip MI 49686
Authorizing CPA Signature 		Printed Name DAVID L. BASLER	License Number 1101013418

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Blue Lake Township, Kankaska County, for the year ended June 30, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Blue Lake Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

Records were maintained in very good condition by your Clerk and Treasurer. Recorded revenues were deposited intact, journals and ledgers were properly posted, Board minutes were maintained in proper order, and supporting documents and follow-up procedures appeared to be in very good order. The efforts of these officials for 2005-2006 are commendable.

Budgets and Procedures

The Township prepared and formally adopted budgets for its General and Special Revenue Funds. During the audit year, three activities of the General Fund overexpended their budgeted expenditures without formal Board amendments as required by law. See Note 2, C in the Notes to the Financial Statements.

Highway Improvement Fund

This fund, presented in Schedule 2, is used to account for a 1.2 mil levy for road improvements. Revenue for the year consisted of property taxes, Metro Act monies, and interest. Expenditures were \$909 for street lighting and \$95,200 for roads. The fund balance at June 30, 2006 was \$138,837.

Fire Fund

This fund, presented in Schedule 3, is used to account for a .9940 mil levy for fire protection. Revenues consisted of \$74,498 of property taxes, \$2,722 of interest, and \$7,500 of proceeds from the sale of a vehicle. The fund balance at June 30, 2006 was \$158,535.

Trash Pickup Fund

This fund, presented in Schedule 4, is used to account for a .6958 mil levy for trash pickup. Revenues consisted of \$52,392 of property taxes and \$1,531 of earned interest. Expenditures were \$48,600 for contractual trash pickup services, and the fund balance at June 30, 2006 was \$56,738.

Improvement Revolving Fund

This fund is permitted by statute and is used to set aside monies for Township improvements. As reflected in Schedule 5, revenues for the year consisted of royalties and rents from oil and tower leases of \$14,335, and earned interest of \$1,948. Expenditures consisted of capital outlays for various items. The fund balance at June 30, 2006 was \$60,746.

Property Tax Collections

2005 property taxes collected were substantially all distributed to taxing units prior to the end of the fiscal year. This function was handled in an excellent manner by the Treasurer. Schedules 6 and 7 reflect the amount levied, collected, and returned delinquent for the 2005 property tax levy.

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Comments and Recommendations

Property Tax Administration Fees

As permitted by statute, an administration fee of 1% was levied on all 2005 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting and the review and appeal process. As noted in Schedule 8, costs exceeded collections by \$14,050 for the audit year. Costs have exceeded collections on a cumulative basis by \$126,218.

Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general and auto liability, equipment, errors and omissions, crime and workmen's compensation. Coverage was reviewed during the audit year. The Clerk, Treasurer, Deputy Clerk, Deputy Treasurer, and Supervisor have surety bond coverage.

Payroll Procedures

Payroll withholding procedures were properly performed during the audit year and employees received Forms W-2 for the calendar year 2005.

Other Data

We noted the use of daily interest bearing depository accounts by the Treasurer. This practice resulted in earned interest of over \$26,000 for the audit year. Efforts of the Treasurer and other officials in this important area are commendable.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township records. We also appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Blue Lake Township
Kalkaska County
Kalkaska, Michigan 49646

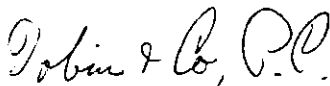
We have audited the accompanying financial statements of the governmental activities and each major fund of Blue Lake Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basis financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Blue Lake Township at June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Blue Lake Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
October 31, 2006

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BLUE LAKE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Blue Lake Township, Kalkaska County, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Blue Lake Township for the fiscal year ended June 30, 2006.

The Blue Lake Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Financial Highlights

The assets of Blue Lake Township exceeded its liabilities at the close of the most recent fiscal year by \$1,357,792. Of this amount, \$626,992 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$626,992, an increase of \$86,888 in comparison with the prior year. The entire total amount, \$626,992 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$212,136, or 163% of total general fund expenditures.

The Township's total debt increased by \$1,716 during the current fiscal year.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

Both of the government-wide financial statements show functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township improvements. Blue Lake Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

Statement of Governmental Net Assets:

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Blue Lake Township, assets exceeded liabilities by \$1,357,792 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets, \$730,800 or 54 percent of the total, reflects its investment in capital assets. Blue Lake Township capital assets include the Township hall located on Twin Lake Rd., two fire and rescue barns located on Blue Lake Rd., fire fighting and rescue equipment, computers, and several plots of land located throughout the Township. Intangible assets increased because of recent road paving of county maintained roads by \$95,000. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Township's investment in its capital assets has been made over the past several years and no related debt is outstanding.

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Statement of Township's Net Assets

	Governmental Activities and Total	
	June 30, 2006	June 30, 2005
Current and Other Assets	\$ 629,594	\$ 540,991
Capital Assets	568,223	608,778
Intangible Assets	<u>162,577</u>	<u>74,738</u>
Total Assets	1,360,394	1,224,507
Long-term Liabilities	-	-
Other Liabilities	<u>2,602</u>	<u>886</u>
Total Liabilities	2,602	886
Net Assets:		
Investment in Capital Assets	730,800	683,516
Restricted for:		
Highway Improvement	138,837	136,905
Fire and Rescue	158,535	128,333
Trash Pickup	56,738	51,415
Unrestricted	<u>272,882</u>	<u>223,452</u>
Total Net Assets	<u>\$ 1,357,792</u>	<u>\$ 1,223,621</u>

A portion of the Township's net assets (26 percent) represents resources that are subject to external restrictions on how they may be used (Highway, Fire and Rescue, Trash Pickup). The remaining balance of unrestricted net assets, \$272,792, may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances for the government as a whole, as well as for its separate governmental activities and funds. The same situation held true for the prior fiscal year.

Statement of Governmental Activities:

Governmental activities increased the Township's net assets by \$134,171, accounting for a 10.97 percent growth in the net assets of the Township.

Statement of Township's Activities

	Governmental Activities and Total	
	June 30, 2006	June 30, 2005
Program Revenues:		
Charges for Services	\$ 11,036	\$ 10,975
Operating Grants and Contributions	9,244	-
Capital Grants and Contributions	-	-
General Revenues:		
Property Taxes	320,879	317,065
State Shared Revenues	29,254	29,650
Unrestricted Investment Earnings	26,231	7,768
Rents and Royalties	14,335	15,237
Miscellaneous	<u>131</u>	<u>-</u>
Total Revenues	411,110	380,695
Program Expenses:		
General Government	101,670	100,705
Public Safety	117,504	105,510
Public Works	56,671	52,543
Health and Welfare	<u>1,094</u>	<u>1,223</u>
Total Expenses	276,939	259,981
Change in Net Assets	<u>\$ 134,171</u>	<u>\$ 120,714</u>

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Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blue Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blue Lake Township are categorized as governmental funds.

Blue Lake Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Township Improvement Fund, Fire and Rescue Fund, Trash Pickup Fund, and Highway Improvement Fund, which are considered to be major funds. All Township government activities are included in these five funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds.

Governmental Funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$626,992, an increase of \$86,888 in comparison with the prior year. This entire total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

All Township government activities are included in five funds that Blue Lake Township maintains. The General Fund is used for normal governmental activities such as, paying employees, running election, zoning activities, office supplies, and others. The Township Improvement Fund is used for unbudgeted emergency situations. Fire and Rescue Fund is used to operate, maintain and equip the Fire and Rescue Department. The Trash Pickup Fund is used to pay a contractor to remove residential waste from the Township. The Highway Improvement Fund is used to construct, pave and repave roads within the Township.

Statement of Township's Governmental Funds Fund Balances 2006

	<u>General</u>	<u>Improvement</u>	<u>Fire & Rescue</u>	<u>Trash</u>	<u>Highway</u>	<u>Total</u>
Assets						
Cash in Bank - Checking	\$ 212,694	\$ 60,746	\$ 158,535	\$ 56,738	\$ 138,837	\$ 627,550
Petty Cash	302	-	-	-	-	302
Accounts Receivable	<u>1,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,742</u>
Total Assets	<u>\$ 214,738</u>	<u>\$ 60,746</u>	<u>\$ 158,535</u>	<u>\$ 56,738</u>	<u>\$ 138,837</u>	<u>\$ 629,594</u>
Liabilities:						
Accounts Payable	\$ 2,602	\$ -	\$ -	\$ -	\$ -	\$ 2,602
Loans Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,602</u>
Fund Balances:						
Unreserved Balances	<u>\$ 212,136</u>	<u>\$ 60,746</u>	<u>\$ 158,535</u>	<u>\$ 56,738</u>	<u>\$ 138,837</u>	<u>\$ 626,992</u>

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Statement of Township's Governmental Funds Fund Balances 2005

	<u>General</u>	<u>Improvement</u>	<u>Fire & Rescue</u>	<u>Trash</u>	<u>Highway</u>	<u>Total</u>
Assets						
Cash in Bank:						
Checking	\$ 878	\$ 11,421	\$ (4,615)	\$ (2,928)	\$ 4,480	\$ 9,236
Money Market	164,310	35,401	130,933	52,933	129,992	513,569
Petty Cash	300	-	-	-	-	300
Unpaid Taxes	2,172	-	2,015	1,410	2,433	8,030
Due Fund (Accounts Rec.)	<u>9,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,856</u>
Total Assets	<u>\$ 177,516</u>	<u>\$ 46,822</u>	<u>\$ 128,333</u>	<u>\$ 51,415</u>	<u>\$ 136,905</u>	<u>\$ 540,991</u>
Liabilities:						
Accounts Payable	\$ 886	\$ -	\$ -	\$ -	\$ -	\$ 886
Loans Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>886</u>
Fund Balances:						
Unreserved Balances	<u>\$ 176,630</u>	<u>\$ 46,822</u>	<u>\$ 128,333</u>	<u>\$ 51,415</u>	<u>\$ 136,905</u>	<u>\$ 540,105</u>

Statement of Township's Governmental Funds Revenues & Expenditures 2006

	<u>General</u>	<u>Improvement</u>	<u>Fire & Rescue</u>	<u>Trash</u>	<u>Highway</u>	<u>Total</u>
Revenues						
Grants and Charges	\$ 15,836	\$ -	\$ -	\$ -	\$ 4,444	\$ 20,280
Property Taxes	104,061	-	74,498	52,392	89,928	320,879
State Shared Revenues	29,254	-	-	-	-	29,254
Investment Earnings	16,461	1,948	2,722	1,531	3,569	26,231
Other Income	<u>6</u>	<u>14,360</u>	<u>7,500</u>	<u>-</u>	<u>100</u>	<u>21,966</u>
Total Revenues	<u>165,618</u>	<u>16,308</u>	<u>84,720</u>	<u>53,923</u>	<u>98,041</u>	<u>418,610</u>
Program Expenses						
General Government	94,940	-	-	-	-	94,940
Public Safety	27,581	-	49,200	-	-	76,781
Public Works	-	-	-	48,600	1,109	49,709
Health and Welfare	1,094	-	-	-	-	1,094
Capital Outlay	<u>6,495</u>	<u>2,384</u>	<u>5,319</u>	<u>-</u>	<u>95,000</u>	<u>109,198</u>
Total Expenses	<u>130,110</u>	<u>2,384</u>	<u>54,519</u>	<u>48,600</u>	<u>96,109</u>	<u>331,722</u>
Change in Fund Balances	35,508	13,924	30,201	5,323	1,932	86,888
Fund Balance -- Start of Year	<u>176,628</u>	<u>46,822</u>	<u>128,334</u>	<u>51,415</u>	<u>136,905</u>	<u>540,104</u>
Fund Balance -- End of Year	<u>\$ 212,136</u>	<u>\$ 60,746</u>	<u>\$ 158,535</u>	<u>\$ 56,738</u>	<u>\$ 138,837</u>	<u>\$ 626,992</u>

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Statement of Township's Governmental Funds Revenues & Expenditures 2005

	<u>General</u>	<u>Improvement</u>	<u>Fire & Rescue</u>	<u>Trash</u>	<u>Highway</u>	<u>Total</u>
Revenues						
Grants and Charges	\$ 10,975	\$ -	\$ -	\$ -	\$ -	\$ 10,975
Property Taxes	105,565	-	72,755	50,927	87,818	317,065
State Shared Revenues	29,113	-	-	-	537	29,650
Investment Earnings	3,425	684	1,720	582	1,357	7,768
Other Income	<u>2,790</u>	<u>12,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,237</u>
Total Revenues	<u>151,868</u>	<u>13,131</u>	<u>74,475</u>	<u>51,509</u>	<u>89,712</u>	<u>380,695</u>
Program Expenses						
General Government	96,549	750	-	-	-	97,299
Public Safety	24,033	-	44,399	-	-	68,432
Public Works	-	-	-	49,500	77,782	127,282
Health and Welfare	1,223	-	-	-	-	1,223
Capital Outlay	<u>1,346</u>	<u>-</u>	<u>21,925</u>	<u>-</u>	<u>-</u>	<u>23,271</u>
Total Expenses	<u>123,151</u>	<u>750</u>	<u>66,324</u>	<u>49,500</u>	<u>77,782</u>	<u>317,507</u>
Change in Fund Balances	28,717	12,381	8,151	2,009	11,930	63,188
Fund Balance – Start of Year	<u>147,913</u>	<u>34,441</u>	<u>120,182</u>	<u>49,406</u>	<u>124,975</u>	<u>476,917</u>
Fund Balance – End of Year	<u>\$ 176,630</u>	<u>\$ 46,822</u>	<u>\$ 128,333</u>	<u>\$ 51,415</u>	<u>\$ 136,905</u>	<u>\$ 540,105</u>

Notes to the Financial Statements

Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

General Fund – Analysis and Highlights

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$212,136. Unreserved fund balance represents 163% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$35,508 during the current fiscal year.

Differences between the original budget and the final amended budget were minimal. No increase or decrease in appropriations of the total budget was made during the year; however, some funds were shifted from the capital outlay line item to the legislative line item. This was due to a higher than expected increase in building insurance and audit expense in the fiscal year. The total dollars spent in general fund activities was \$16,863 less than appropriated.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Two noteworthy exceptions are:

1. In 2005-6 a pay raise of 4% for all Township employees was initiated. This was the first pay raise in the past 4 years.
2. The Township has postponed the construction of an addition onto the existing Township Hall.

Improvement Fund – Analysis and Highlights

The Improvement fund is a revolving fund maintained by the Township to pay for improvement in the township. Oil and gas royalties and lease of land for an Alltel Cellular communications tower generate the majority of revenues for this fund. At the end of the current fiscal year the total fund balance was \$60,746, increasing by \$13,924 during the current fiscal year. During the past year this fund was used to pay for architectural drawings and plans for an expansion of the Township Hall. In June it was decided not to pursue this addition because of costs. This project will be investigated in the future.

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In the next fiscal year we plan to transfer \$100,000 to this fund from the General Fund for saving and future usage.

Fire and Rescue Fund – Analysis and Highlights

The Fire and Rescue fund is maintained by a voter passed millage of 1.0 mills that expired in 2006 (this was reduced to 0.994 by the Headlee Amendment rollback). The Fire and Rescue department uses this fund for operational and equipment needs. An election in the fall of 2006 was held to renew this millage (it passed). At the end of the current fiscal year the total Fire and Rescue fund balance was \$158,535, increasing by \$30,201 during the current fiscal year. The Fire and Rescue department is accumulating funds to pay for the future replacement of a tanker truck and other capital equipment needs.

In 2005-6 the fire department had no major purchases of equipment; they did sell an old Argo for a total of \$7,500. In the fall of 2006 a vote on a one mill increase for one year was held. This millage (it passed) will be used to purchase a tanker truck.

Trash Pickup Fund – Analysis and Highlights

The Trash Pickup fund is maintained by a voter passed millage of 0.7 mills that expires in 2008 (this was reduced to 0.6958 by the Headlee Amendment rollback). The Trash Pickup fund is used to pay a contractor (American Waste) to collect and dispose of residential trash. At the end of the current fiscal year the total Trash Pickup fund balance was \$56,738. The fund balance of the Township's Trash Pickup fund increased by \$5,323 during the current fiscal year. The current millage generates revenues that are adequate to pay for this contract. The contract with the supplier extends through 2008.

Highway Improvement Fund – Analysis and Highlights

The Highway fund is maintained by a voter passed millage of 1.2 mills that expires in 2010. Working with the Kalkaska County Road Commission the Township uses these funds to pave and repair Township roads. A detailed plan has been submitted to the Road Commission showing our scheduled roadwork through 2011. In the current fiscal year 2 miles of Blue Lake Road was paved and Sunset Trail was tarred and chipped at a cost of \$95,000 (done late summer of 2005). At the end of the current fiscal year the total Highway fund balance was \$138,837. The fund balance of the Township's Highway fund increased by \$1,932 during the current fiscal year. Due to a decision by the Kalkaska Road Commission the plan to pave Twin Lake Road during the summer of 2006 will not happen; however, we will be repaving North Twin Lake Road at an expected cost of less than \$80,000. We expect that during the 2007-8 fiscal year (last summer 2007) paving of Twin Lake Road will be completed at a total cost of \$75,000.

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$797,143 less accumulated depreciation of \$228,920 for a total capital asset value of \$568,223. This investment in capital assets includes: several parcels of land, Township Hall, Fire and Rescue Barns, Fire and Rescue Trucks and Equipment, and Computers. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful life.

Our intangible assets increased \$95,000 due to the paving of Sunset Trail and Blue Lake Road. The Township's investment in intangible assets for the governmental activities amounts to \$171,984 less accumulated amortization of \$9,407 for a total of intangible assets of \$162,577.

This year the amount by which capital outlays exceeded depreciation, amortization and loss on disposal of assets was \$47,283.

Cash Assets

At the end of the current fiscal year, the Township had \$629,594 in cash and other spendable assets. Of this amount, \$611,844 (97 percent) was held in a Sweep Fund (Chase Bank) and was receiving interest. The Township is limited by State law in how it can invest these funds.

Long-term Debt

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

Pension Plan

Township employees that make more than \$500 per year have the option of having the Township pay Social Security payments or to join our pension plan. The Township makes contributions equal to approximately 10 percent of each employee's wage to Municipal Retirement Systems, Inc. on behalf of the opted employee. This is an expensed item in the budget and totaled \$6,000 for the fiscal year. The Township provides no other employee benefits.

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Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget may mean some reductions in state-shared revenues. The Township only received Constitutional Revenue Sharing payments and therefore revenues are expected to increase slightly in the 2006-07 fiscal year. The Township budgeted for this state-shared revenue. The Township's millage rate (normally 1.00 mill) has been reduced by the Headlee Amendment rollback to 0.8124 mills for general operating purposes. These factors were considered in preparing the Township's budget for the 2006-07 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased by \$35,508. The Township has presented a balanced budget in the 2006-07 fiscal year budget which projects a deficit of \$6,907. \$6,907 of the unreserved fund balance of \$212,136 was appropriated for 2006-07 fiscal year spending.

Office Addition

During 2005-06 an office addition to the Township Hall was planned however the costs received from the bidders were higher than anticipated. Because of the higher costs the addition has been delayed indefinitely but will be reviewed after two years. The estimated cost was approximately \$140,000 but the bids came in at \$138,000 to \$254,000.

ANR Assessment Dispute

ANR Gas Storage Co. located on ANR Storage Rd. has filed three (3) tax assessment appeals with the Michigan Tax Tribunal. These disputes originated in 1998 and have continued every year since. In June 2005 the Tax Tribunal ruled on one of these appeals. In this ruling future assessments will be adjusted (lowered) instead of paying back tax overpayments. On this piece of personal property the taxable value will be reduced approximately \$2,200,000 (28%) through 2009 and will reduce the Township tax revenue for all funds less than \$8,000 per year.

ANR has withdrawn one appeal and the last appeal is currently in settlement discussions. Current discussions which the Township has agreed to will result in a Township tax refund to ANR of approximately \$30,600 plus applicable collection fees. Approximately \$10,000 of this money will come from the Fire Department and the rest from all other funds except Township Improvement. The Township has maintained fund balances that are available to pay this possible expense.

Requests for Information

This financial report is designed to provide a general overview of Blue Lake Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dean McCulloch, Supervisor, Blue Lake Township, 10599 Twin Lake Rd., Mancelona, Michigan 49659 – (231) 587-8354.

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Blue Lake Township Statement of Net Assets June 30, 2006

	<u>Primary Government Governmental Activities And Total</u>
Assets	
Cash	\$ 627,852
Receivables	1,742
Capital Assets	
Land	1,705
Other Capital Assets, Net of Depreciation	<u>566,518</u>
Total Capital Assets	<u>568,223</u>
Intangible Assets, Net of Amortization	<u>162,577</u>
Total Assets	<u>1,360,394</u>
Liabilities	
Accounts Payable	<u>2,602</u>
Total Liabilities	<u>2,602</u>
Net Assets	
Invested in Capital and Intangible Assets	730,800
Restricted for:	
Highway Improvements	138,837
Fire Protection	158,535
Trash Pickup	56,738
Unrestricted	<u>272,882</u>
Total Net Assets	<u>\$ 1,357,792</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blue Lake Township Statement of Activities June 30, 2006

Functions/Programs	Program Revenues			
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:				
Legislative	\$ 9,335	\$ -	\$ -	\$ (9,335)
General Government	92,335	11,036	4,800	(76,499)
Public Safety	117,504	-	-	(117,504)
Public Works	56,671	-	4,444	(52,227)
Health and Welfare	<u>1,094</u>	<u>-</u>	<u>-</u>	<u>(1,094)</u>
Total Governmental Activities	<u>\$ 276,939</u>	<u>\$ 11,036</u>	<u>\$ 9,244</u>	<u>(256,659)</u>
General Revenues:				
Property Taxes				320,879
State Shared Revenues				29,254
Unrestricted Investment Earnings				26,231
Unrestricted Rents and Royalties				14,335
Miscellaneous				<u>131</u>
Total General Revenues				390,830
Change in Net Assets				134,171
Net Assets – Beginning				<u>1,223,621</u>
Net Assets – Ending				<u>\$ 1,357,792</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blue Lake Township Balance Sheets Governmental Funds June 30, 2006

	<u>General</u>	<u>Highway Improvement</u>	<u>Fire</u>	<u>Trash Pickup</u>	<u>Improvement Revolving</u>	<u>Total</u>
Assets						
Cash in Bank	\$ 212,694	\$ 138,837	\$ 158,535	\$ 56,738	\$ 60,746	\$ 627,550
Petty Cash	302	-	-	-	-	302
Accounts Receivable	<u>1,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,742</u>
Total Assets	<u>\$ 214,738</u>	<u>\$ 138,837</u>	<u>\$ 158,535</u>	<u>\$ 56,738</u>	<u>\$ 60,746</u>	<u>\$ 629,594</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	<u>\$ 2,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,602</u>
Total Liabilities	<u>2,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,602</u>
Fund Balances:						
Unreserved	212,136	-	-	-	-	212,136
Special Revenue Funds	<u>-</u>	<u>138,837</u>	<u>158,535</u>	<u>56,738</u>	<u>60,746</u>	<u>414,856</u>
Total Fund Balances	<u>212,136</u>	<u>138,837</u>	<u>158,535</u>	<u>56,738</u>	<u>60,746</u>	<u>626,992</u>
Total Liabilities and Fund Balances	<u>\$ 214,738</u>	<u>\$ 138,837</u>	<u>\$ 158,535</u>	<u>\$ 56,738</u>	<u>\$ 60,746</u>	
Amounts reported for governmental activities on the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.						<u>730,800</u>
Net assets of governmental activities.						<u>\$ 1,357,792</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2006

	<u>General</u>	<u>Highway Improvement</u>	<u>Fire</u>	<u>Trash Pickup</u>	<u>Improvement Revolving</u>	<u>Total</u>
Revenues						
Taxes	\$ 104,061	\$ 89,928	\$ 74,498	\$ 52,392	\$ -	\$ 320,879
Licenses and Permits	3,150	-	-	-	-	3,150
Federal Grants	4,800	-	-	-	-	4,800
State Grants	29,254	4,444	-	-	-	33,698
Charges for Services	5,646	-	-	-	-	5,646
Fines and Forfeits	498	-	-	-	-	498
Interest and Rents	16,461	3,569	2,722	1,531	16,283	40,566
Other	<u>1,748</u>	<u>100</u>	<u>7,500</u>	<u>-</u>	<u>25</u>	<u>9,373</u>
Total	<u>165,618</u>	<u>98,041</u>	<u>84,720</u>	<u>53,923</u>	<u>16,308</u>	<u>418,610</u>
Expenditures						
Legislative	9,335	-	-	-	-	9,335
General Government	71,312	-	-	-	-	71,312
Public Safety	27,581	-	49,200	-	-	76,781
Public Works	-	909	-	48,600	-	49,509
Health and Welfare	1,094	-	-	-	-	1,094
Other	14,293	-	-	-	-	14,293
Capital Outlay	<u>6,495</u>	<u>95,200</u>	<u>5,319</u>	<u>-</u>	<u>2,384</u>	<u>109,398</u>
Total	<u>130,110</u>	<u>96,109</u>	<u>54,519</u>	<u>48,600</u>	<u>2,384</u>	<u>331,722</u>
Excess Revenues (Expenditures) and Net Change in Fund Balances	35,508	1,932	30,201	5,323	13,924	86,888
Fund Balance – Beginning of Year	<u>176,628</u>	<u>136,905</u>	<u>128,334</u>	<u>51,415</u>	<u>46,822</u>	
Fund Balance – End of Year	<u>\$ 212,136</u>	<u>\$ 138,837</u>	<u>\$ 158,535</u>	<u>\$ 56,738</u>	<u>\$ 60,746</u>	

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, amortization and loss on disposal of assets in the current year.

47,283

Change in Net Assets of Governmental Activities.

\$ 134,171

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blue Lake Township Statement of Fiduciary Net Assets June 30, 2006

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 3,147</u>
Total Assets	<u>\$ 3,147</u>
Liabilities	
Undistributed Taxes and Interest	<u>\$ 3,147</u>
Total Liabilities	<u>\$ 3,147</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blue Lake Township Notes to Financial Statements June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Blue Lake Township is a general law township located in Kankaska County. Population as of the 2000 census was 428, and the current taxable value is \$75,186,771.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Tobin & Co.

Blue Lake Township Notes to Financial Statements June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Machinery and Equipment	5-22 years

Tobin & Co.

Blue Lake Township Notes to Financial Statements June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$104,011,800	\$ 75,186,771	.8123
Trash Pickup	\$104,011,800	\$ 75,186,771	.6958
Fire Operations	\$104,011,800	\$ 75,186,771	.9940
Highway Improvement	\$104,011,800	\$ 75,186,771	1.2000

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2006.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2006, the following cost centers overexpended their budgets without formal Board amendment.

General Fund:		
Township Board	\$	415
Assessor	\$	1,107
Fire Protection	\$	470

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

Tobin & Co.

Blue Lake Township Notes to Financial Statements June 30, 2006

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$641,249 deposited with a local financial institution at June 30, 2006 with a carrying value of \$627,550. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$541,249 of uninsured deposits at June 30, 2006.

NOTE 4 - CAPITAL/INTANGIBLE ASSETS

Capital assets of governmental activities consisted of the following at June 30,

	<u>6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/06</u>
Land	\$ 1,705	\$ -	\$ -	\$ 1,705
Buildings	262,720	-	-	262,720
Vehicles and Equipment	<u>537,159</u>	<u>10,559</u>	<u>15,000</u>	<u>532,718</u>
	801,584	10,559	15,000	797,143
Less Accumulated Depreciation	<u>(192,806)</u>	<u>(39,716)</u>	<u>(3,602)</u>	<u>(228,920)</u>
	<u>\$ 608,778</u>	<u>\$ (29,157)</u>	<u>\$ 11,398</u>	<u>\$ 568,223</u>

Intangible assets at June 30, 2006 consisted of major improvements to roads owned and maintained by Kalkaska County.

	<u>6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/06</u>
Road Improvements	\$ 76,984	\$ 95,000	\$ -	\$ 171,984
Less Accumulated Amortization	<u>(2,246)</u>	<u>(7,161)</u>	<u>-</u>	<u>(9,407)</u>
	<u>\$ 74,738</u>	<u>\$ 87,839</u>	<u>\$ -</u>	<u>\$ 162,577</u>

NOTE 5 - INVENTORIES

Blue Lake Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 6 - PENSION PLAN

The Township maintains a defined contribution money purchase pension plan for Michigan Township employees under contract with Municipal Retirement Systems, Inc. Listed below is a summary of the significant plan provisions adopted by Board Resolution in July 1991, and amended in July 2001:

Tobin & Co.

Blue Lake Township
Notes to Financial Statements
June 30, 2006

NOTE 6 - PENSION PLAN (Continued)

A. Eligibility Requirements

1. Attained age of 18.
2. No minimum service requirement.
3. All Township officials and employees earnings over \$500 annual compensation.
4. Thirteen employees were eligible for the 2005-2006 plan year.

B. Contributions

1. Approximately 10% of annual compensation funded 100% by the Township on an annual basis.
2. Compensation determined by the wages for the fiscal year coinciding with or ending within the Plan year.

C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at 100%.

D. Plan Administration

1. The plan is administered by Municipal Retirement Systems, Inc. During the year of audit, the total Township contributions paid for the plan year, August 20, 2005 to August 19, 2006, were \$6,000. Covered payroll was \$58,466 out of a total Township payroll of \$62,379 for the audit year.

NOTE 7 - PROPERTY TAX ADMINISTRATION FEES

The Township levied the 1% administration fee permitted by statute on all 2005 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. For the audit year, costs exceeded collections by \$14,050. Records reflect accumulated costs over collections of \$126,218. See Schedule 8.

NOTE 8 - ECONOMIC DEPENDENCY

\$106,569 of 2005 property taxes and \$12,327 of 2005 property tax administration fees were received from Blue Lake Gas/ANR Storage and Pipeline. This represents approximately 39% of the total combined 2005 property taxes and property tax administration fees.

NOTE 9- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 10- COMPENSATED ABSENCES

The Township provides no compensated absences for its employees.

NOTE 11- SUBSEQUENT EVENT

Several taxing entities within Kalamazoo County entered into a Michigan Tax Tribunal settlement agreement over disputed multiplier percentages for 1996 through 2006 personal property tax on property owned by ANR Storage. As of the report date, no specific amount of payback was determined. The amount Blue Lake Township funds are estimated to be required to pay is approximately \$30,600, including property tax administration fee.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2006

Schedule I
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 61,078	\$ 61,078	\$ 59,365	\$ (1,713)
Delinquent Taxes	2,027	2,027	2,141	114
Penalties and Interest on Taxes	2,898	2,898	118	(2,780)
Property Tax Administration Fees	25,000	25,000	27,991	2,991
Swamp Tax	14,463	14,463	14,446	(17)
Licenses and Permits:				
Permits	3,000	3,000	3,150	150
Federal Grants:				
Elections	-	4,800	4,800	-
State Grants:				
State Shared Revenues	27,000	27,000	29,254	2,254
Charges for Services:				
Summer Tax Collection	5,000	5,000	5,176	176
Fees	670	670	470	(200)
Fines and Forfeits:				
Fines	-	-	498	498
Interest and Rents:				
Interest	700	700	16,461	15,761
Other:				
Refunds and Reimbursements	-	-	1,742	1,742
Other	-	-	6	6
Total Revenues	<u>141,836</u>	<u>146,636</u>	<u>165,618</u>	<u>18,982</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	3,214	-
Audit and Accounting	-	-	4,904	-
Dues	-	-	1,127	-
Publication	-	-	90	-
Total	<u>8,920</u>	<u>8,920</u>	<u>9,335</u>	<u>(415)</u>
Total Legislative	<u>8,920</u>	<u>8,920</u>	<u>9,335</u>	<u>(415)</u>
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	9,157	-
Mileage	-	-	33	-
Total	<u>10,110</u>	<u>10,110</u>	<u>9,190</u>	<u>920</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
General Fund
For the Year Ended June 30, 2006

Schedule 1
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
General Government (Continued):				
Elections:				
Salaries and Wages	-	-	1,923	-
Supplies	-	-	745	-
Postage	-	-	126	-
Mileage	-	-	270	-
Publication	-	-	23	-
Other	-	-	389	-
Total	<u>4,525</u>	<u>4,525</u>	<u>3,476</u>	<u>1,049</u>
Assessor:				
Supplies	-	-	696	-
Postage	-	-	532	-
Professional Services	-	-	4,333	-
Contractual Services	-	-	10,219	-
Other	-	-	439	-
Total	<u>15,112</u>	<u>15,112</u>	<u>16,219</u>	<u>(1,107)</u>
Clerk:				
Salaries and Wages	-	-	11,341	-
Supplies	-	-	801	-
Postage	-	-	224	-
Professional Services	-	-	55	-
Education	-	-	140	-
Mileage	-	-	61	-
Other	-	-	762	-
Total	<u>13,614</u>	<u>13,614</u>	<u>13,384</u>	<u>230</u>
Board of Review:				
Salaries and Wages	-	-	469	-
Mileage	-	-	6	-
Publication	-	-	90	-
Total	<u>925</u>	<u>925</u>	<u>565</u>	<u>360</u>
Treasurer:				
Salaries and Wages	-	-	12,467	-
Supplies	-	-	1,777	-
Postage	-	-	1,349	-
Mileage	-	-	545	-
Other	-	-	137	-
Total	<u>19,137</u>	<u>19,137</u>	<u>16,275</u>	<u>2,862</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2006

Schedule 1
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Township Hall and Grounds:				
Salaries and Wages	-	-	200	-
Supplies	-	-	1,008	-
Professional Services	-	-	250	-
Contractual Services	-	-	4,330	-
Telephone	-	-	2,629	-
Milcage	-	-	17	-
Publication	-	-	789	-
Public Utilities	-	-	2,574	-
Maintenance and Repairs	-	-	304	-
Other	-	-	102	-
Total	<u>15,000</u>	<u>15,000</u>	<u>12,203</u>	<u>2,797</u>
Total General Government	<u>78,423</u>	<u>78,423</u>	<u>71,312</u>	<u>7,111</u>
Public Safety:				
Police Protection:				
Contractual Services	-	-	9,959	-
Total	<u>11,500</u>	<u>11,500</u>	<u>9,959</u>	<u>1,541</u>
Fire Protection:				
Salaries and Wages	-	-	470	-
Total	-	-	470	(470)
Planning:				
Salaries and Wages	-	-	2,412	-
Postage	-	-	89	-
Professional Services	-	-	3,790	-
Milcage	-	-	45	-
Publication	-	-	526	-
Total	<u>11,188</u>	<u>11,188</u>	<u>6,862</u>	<u>4,326</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
General Fund
For the Year Ended June 30, 2006

Schedule 1
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Public Safety (Continued):				
Zoning:				
Salaries and Wages	-	-	6,855	-
Postage	-	-	74	-
Operating Supplies	-	-	257	-
Professional Services	-	-	1,476	-
Mileage	-	-	648	-
Publication	-	-	125	-
Other	-	-	855	-
Total	<u>11,378</u>	<u>11,378</u>	<u>10,290</u>	<u>1,088</u>
Total Public Safety	<u>34,066</u>	<u>34,066</u>	<u>27,581</u>	<u>6,485</u>
Health and Welfare:				
Salaries and Wages	-	-	208	-
Hospital Subsidy	-	-	754	-
Mileage	-	-	132	-
Total Health and Welfare	<u>1,564</u>	<u>1,564</u>	<u>1,094</u>	<u>470</u>
Other:				
Employee Benefits and Insurance	<u>15,400</u>	<u>15,400</u>	<u>14,293</u>	<u>1,107</u>
Total Other	<u>15,400</u>	<u>15,400</u>	<u>14,293</u>	<u>1,107</u>
Capital Outlay	<u>3,800</u>	<u>8,600</u>	<u>6,495</u>	<u>2,105</u>
Total Expenditures	<u>142,173</u>	<u>146,973</u>	<u>130,110</u>	<u>16,863</u>
Excess Revenues (Expenditures)	<u>\$ (337)</u>	<u>\$ (337)</u>	35,508	<u>\$ 35,845</u>
Fund Balance -- Beginning of Year			<u>176,628</u>	
Fund Balance -- End of Year			<u>\$ 212,136</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Highway Improvement Fund
For the Year Ended June 30, 2006

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Current Taxes	\$ 90,218	\$ 90,218	\$ 87,701	\$ (2,517)
Delinquent Taxes	-	-	2,227	2,227
State Grants:				
Metro Act	-	-	4,444	4,444
Interest and Rents:				
Interest	1,500	1,500	3,569	2,069
Other:				
Miscellaneous	-	-	100	100
Total	<u>91,718</u>	<u>91,718</u>	<u>98,041</u>	<u>6,323</u>
<u>Expenditures</u>				
Roads	-	-	95,200	-
Street Lighting	-	-	909	-
Total	<u>116,100</u>	<u>116,100</u>	<u>96,109</u>	<u>19,991</u>
Excess Revenues (Expenditures)	(1) <u>\$ (24,382)</u>	<u>\$ (24,382)</u>	1,932	<u>\$ 26,314</u>
Fund Balance – Beginning of Year			<u>136,905</u>	
Fund Balance – End of Year			<u>\$ 138,837</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Fire Fund
For the Year Ended June 30, 2006

Schedule 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Current Taxes	\$ 74,730	\$ 74,730	\$ 72,645	\$ (2,085)
Delinquent Taxes	-	-	1,853	1,853
Interest and Rents:				
Interest	900	900	2,722	1,822
Other:				
Sale of Fixed Assets	-	-	7,500	7,500
Total Revenues	<u>75,630</u>	<u>75,630</u>	<u>84,720</u>	<u>9,090</u>
<u>Expenditures</u>				
Salaries and Wages	-	-	14,442	-
Fringe Benefits	-	-	1,570	-
Supplies	-	-	9,709	-
Contractual Services	-	-	2,812	-
Telephone	-	-	1,420	-
Education	-	-	1,359	-
Insurance	-	-	11,714	-
Public Utilities	-	-	2,772	-
Maintenance and Repairs	-	-	1,362	-
Other	-	-	2,040	-
Capital Outlay	-	-	5,319	-
Total Expenditures	<u>57,350</u>	<u>57,350</u>	<u>54,519</u>	<u>2,831</u>
Excess Revenues (Expenditures)	<u>\$ 18,280</u>	<u>\$ 18,280</u>	30,201	<u>\$ 11,921</u>
Fund Balance – Beginning of Year			<u>128,334</u>	
Fund Balance – End of Year			<u>\$ 158,535</u>	

The Notes to the Basic Financial statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Trash Pickup Fund For the Year Ended June 30, 2006

Schedule 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Current Property Taxes	\$ 52,311	\$ 52,311	\$ 50,850	\$ (1,461)
Delinquent Property Taxes	-	-	1,542	1,542
Interest and Rents:				
Interest	<u>450</u>	<u>450</u>	<u>1,531</u>	<u>1,081</u>
Total	<u>52,761</u>	<u>52,761</u>	<u>53,923</u>	<u>1,162</u>
<u>Expenditures</u>				
Contractual	<u>-</u>	<u>-</u>	<u>48,600</u>	<u>-</u>
Total	<u>49,100</u>	<u>49,100</u>	<u>48,600</u>	<u>500</u>
Excess Revenues (Expenditures)	<u>\$ 3,661</u>	<u>\$ 3,661</u>	5,323	<u>\$ 1,662</u>
Fund Balance – Beginning of Year			<u>51,415</u>	
Fund Balance – End of Year			<u>\$ 56,738</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Improvement Revolving Fund For the Year Ended June 30, 2006

Schedule 5

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ 400	\$ 400	\$ 1,948	\$ 1,548
Royalties	11,000	11,000	14,335	3,335
Other:				
Map Books	-	-	25	25
Total	<u>11,400</u>	<u>11,400</u>	<u>16,308</u>	<u>4,908</u>
<u>Expenditures</u>				
Capital Outlay	-	-	2,384	-
Total	<u>5,500</u>	<u>5,500</u>	<u>2,384</u>	<u>3,116</u>
Excess Revenues (Expenditures)	<u>\$ 5,900</u>	<u>\$ 5,900</u>	13,924	<u>\$ 8,024</u>
Fund Balance – Beginning of Year			<u>46,822</u>	
Fund Balance – End of Year			<u>\$ 60,746</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township
Statement of Changes in Assets and Liabilities
Current Tax Collection Fund
For the Year Ended June 30, 2006

Schedule 6

	Balance 6/30/05	Additions	Deductions	Balance 6/30/06
<u>Assets</u>				
Cash	\$ 177	\$ 2,901,164	\$ 2,898,194	\$ 3,147
Due from Other Units	<u>9,856</u>	<u>-</u>	<u>9,856</u>	<u>-</u>
Total Assets	<u>\$ 10,033</u>	<u>\$ 2,901,164</u>	<u>\$ 2,908,050</u>	<u>\$ 3,147</u>
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 177	\$ 2,901,164	\$ 2,898,194	\$ 3,147
Due to Other Funds	<u>9,856</u>	<u>-</u>	<u>9,856</u>	<u>-</u>
Total Liabilities	<u>\$ 10,033</u>	<u>\$ 2,901,164</u>	<u>\$ 2,908,050</u>	<u>\$ 3,147</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township 2005 Property Tax Levy and Collections For the Year Ended June 30, 2006

Schedule 7

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	6.2326	\$ 467,207	\$ 452,305	\$ 14,902
County Transit	0.2447	18,340	17,734	606
Sportsplex	0.7313	53,492	51,714	1,778
Hospital	1.7000	127,455	123,240	4,215
State Education	6.0000	449,651	436,575	13,076
School District	20.1000	1,299,191	1,272,394	26,797
Intermediate School District	2.9589	221,741	215,293	6,448
Township - General	0.8123	60,897	58,884	2,013
- Trash Pickup	0.6958	52,162	50,438	1,724
- Fire Operations	0.9940	74,520	72,057	2,463
- Highway Improvement	1.2000	89,966	86,992	2,974
Total		<u>\$ 2,914,622</u>	<u>\$ 2,837,626</u>	<u>\$ 76,996</u>
Percent of Levy Collected		97.36%		

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blue Lake Township
Statement of Revenues, Expenditures and Balance
Property Tax Administration Fees
For the Year Ended June 30, 2006

Schedule 8

Revenues

Property Tax Administration Fees	\$ 27,991
Summer Tax Collection Fees	<u>5,176</u>
Total Revenues	<u>33,167</u>

Expenditures

Assessor	14,653
Board of Review	565
Treasurer	15,187
Supervisor	4,582
Clerk	926
Zoning	1,238
Town Hall and Grounds	4,683
Employee Benefits and Insurance	<u>5,383</u>
Total	<u>47,217</u>
Excess Revenues (Expenditures)	(14,050)
Excess Revenues (Expenditures) – Prior Years	<u>(112,168)</u>
Accumulated Excess Revenues (Expenditures)	<u>\$ (126,218)</u>

The Notes to the Financial Statements are an integral part of this statement.